



Dave Yost • Auditor of State



**VILLAGE OF EAST PALESTINE  
COLUMBIANA COUNTY  
DECEMBER 31, 2014**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of East Palestine  
Columbiana County  
85 North Market Street  
East Palestine, Ohio 44413

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of East Palestine, Columbiana County, Ohio (the "Village"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of East Palestine, Columbiana County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Construction, Maintenance and Repair Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 30, 2016

## VILLAGE OF EAST PALESTINE, OHIO

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### *Management's Discussion and Analysis For the Year Ended December 31, 2014*

*Unaudited*

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The discussion and analysis of the Village of East Palestine's financial performance provides an overall review of the Village's financial activities for the fiscal year ended December 31, 2014. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Village's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2014 are as follows:

- ❑ In total, net position increased \$400,961. Net position of governmental activities increased \$209,708, which represents a 3% change from 2013. Net position of business-type activities increased \$191,253 or 5% from 2013.
- ❑ General revenues accounted for \$1,875,835 in revenue or 41% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,657,419, 59% of total revenues of \$4,533,254.
- ❑ The Village had \$2,516,284 in expenses related to governmental activities; only \$850,157 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$1,875,835 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$1,508,243 in revenues and \$1,473,274 in expenditures. The general fund's fund balance decreased \$71,358 to a balance of \$2,646,810.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the Village:

These statements are as follows:

*The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the Village's overall financial status.

*The Fund Financial Statements* – These statements focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# VILLAGE OF EAST PALESTINE, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2014*

*Unaudited*

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## **Government-wide Statements**

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's net position and how it has changed. Net position is one way to measure the Village's financial health.

- Over time, increases or decreases in the Village's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village you need to consider additional nonfinancial factors such as the Village's tax base and the condition of the Village's capital assets.

The government-wide financial statements of the Village are divided into two categories:

- *Governmental Activities* – Most of the Village's program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Village's water and wastewater services are reported as business-type activities.

## **Fund Financial Statements**

Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole.

*Governmental Funds* – Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.



## VILLAGE OF EAST PALESTINE, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2014**

**Unaudited**

*Proprietary Funds* – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The proprietary fund financial statements provide separate information for the Water and Wastewater funds, both of which are considered major funds.

### FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The following table provides a summary of the Village's net position for 2014 compared to 2013.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$2,088,795	\$2,078,319	\$986,551	\$979,425	\$3,075,346	\$3,057,744
Capital Assets, Net	6,169,164	6,226,281	9,466,988	9,630,318	15,636,152	15,856,599
Total Assets	<u>8,257,959</u>	<u>8,304,600</u>	<u>10,453,539</u>	<u>10,609,743</u>	<u>18,711,498</u>	<u>18,914,343</u>
Long-term Obligations	862,229	1,100,980	6,097,298	6,459,804	6,959,527	7,560,784
Other Liabilities	102,217	112,946	84,980	69,931	187,197	182,877
Total Liabilities	<u>964,446</u>	<u>1,213,926</u>	<u>6,182,278</u>	<u>6,529,735</u>	<u>7,146,724</u>	<u>7,743,661</u>
Deferred Inflows of Resources	639,877	646,746	0	0	639,877	646,746
Net Position						
Net Investment in Capital Assets	5,405,891	5,291,919	3,481,172	3,259,950	8,887,063	8,551,869
Restricted	605,208	512,010	0	0	605,208	512,010
Unrestricted	642,537	639,999	790,089	820,058	1,432,626	1,460,057
Total Net Position	<u>\$6,653,636</u>	<u>\$6,443,928</u>	<u>\$4,271,261</u>	<u>\$4,080,008</u>	<u>\$10,924,897</u>	<u>\$10,523,936</u>

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## VILLAGE OF EAST PALESTINE, OHIO

### *Management's Discussion and Analysis For the Year Ended December 31, 2014*

*Unaudited*

Changes in Net Position – The following table shows the changes in net position for the fiscal year 2014 compared to 2013:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services and Sales	\$454,051	\$382,882	\$1,805,126	\$1,786,914	\$2,259,177	\$2,169,796
Operating Grants and Contributions	386,106	602,556	0	0	386,106	602,556
Capital Grants and Contributions	10,000	215,975	2,136	62,265	12,136	278,240
Total Program Revenues	<u>850,157</u>	<u>1,201,413</u>	<u>1,807,262</u>	<u>1,849,179</u>	<u>2,657,419</u>	<u>3,050,592</u>
General Revenues:						
Property Taxes	669,707	673,857	0	0	669,707	673,857
Income Taxes	968,925	1,010,121	0	0	968,925	1,010,121
Other Local Taxes	518	373	0	0	518	373
Intergovernmental Revenues, Unrestricted	172,560	172,826	0	0	172,560	172,826
Investment Earnings	2,676	2,398	0	0	2,676	2,398
Miscellaneous	61,449	73,447	0	0	61,449	73,447
Total General Revenues	<u>1,875,835</u>	<u>1,933,022</u>	<u>0</u>	<u>0</u>	<u>1,875,835</u>	<u>1,933,022</u>
Total Revenues	<u>2,725,992</u>	<u>3,134,435</u>	<u>1,807,262</u>	<u>1,849,179</u>	<u>4,533,254</u>	<u>4,983,614</u>
Program Expenses						
Security of Persons and Property	1,231,104	1,245,721	0	0	1,231,104	1,245,721
Leisure Time Activities	220,062	253,724	0	0	220,062	253,724
Community Environment	3,860	337,500	0	0	3,860	337,500
Public Health and Welfare	35,643	35,638	0	0	35,643	35,638
Transportation	428,187	431,085	0	0	428,187	431,085
General Government	572,467	409,653	0	0	572,467	409,653
Interest and Fiscal Charges	24,961	27,883	0	0	24,961	27,883
Water	0	0	612,422	559,871	612,422	559,871
Wastewater	0	0	1,003,587	924,866	1,003,587	924,866
Total Expenses	<u>2,516,284</u>	<u>2,741,204</u>	<u>1,616,009</u>	<u>1,484,737</u>	<u>4,132,293</u>	<u>4,225,941</u>
Total Change in Net Position	209,708	393,231	191,253	364,442	400,961	757,673
Beginning Net Position	6,443,928	6,050,697	4,080,008	3,715,566	10,523,936	9,766,263
Ending Net Position	<u>\$6,653,636</u>	<u>\$6,443,928</u>	<u>\$4,271,261</u>	<u>\$4,080,008</u>	<u>\$10,924,897</u>	<u>\$10,523,936</u>

### **Governmental Activities**

Net position of the Village's governmental activities increased \$209,708, or 3% from the previous year. In 2014 the Village entered into an agreement to provide fire service to Unity Township, resulting in an increase in charges for services. Community Housing Improvement Program grants received in the prior year resulted in the subsequent decrease in operating grants and contributions and community environment expenses in the current year. A Federal Assistance to Firefighters Grant received for air pack purchases in the prior year resulted in the subsequent decrease in capital grants and contributions in the current year.

## VILLAGE OF EAST PALESTINE, OHIO

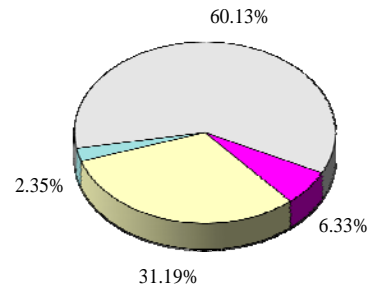
**Management's Discussion and Analysis  
For the Year Ended December 31, 2014**

**Unaudited**

The Village receives an income tax, which is based on 1% of all salaries, wages, commissions and other compensation and on net profits earned from residents living within the Village.

Income taxes and property taxes made up 35% and 25% respectively of revenues for governmental activities for the Village in 2014. The Village's reliance upon tax revenues is demonstrated by the following graph indicating 60% of total revenues from general tax revenues:

Revenue Sources	2014	Percent of Total
General Tax Revenues	\$1,639,150	60.13%
Intergovernmental Revenues, Unrestricted	172,560	6.33%
Program Revenues	850,157	31.19%
General Other	64,125	2.35%
Total Revenue	<u>\$2,725,992</u>	<u>100.00%</u>



**Business-Type Activities**

Net position of the business-type activities increased \$191,253. This was a 5% increase from the previous year. Revenues and expenses remained consistent with the prior year.

**FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

The Village's governmental funds reported a combined fund balance of \$925,776, which is an increase from last year's balance of \$912,615. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2014 and 2013:

	Fund Balance/Deficit December 31, 2014	Fund Balance/Deficit December 31, 2013	Increase (Decrease)
General	\$2,646,810	\$2,718,168	(\$71,358)
Street Construction, Maintenance and Repair	94,082	111,905	(17,823)
Capital Improvement	(2,086,250)	(2,105,836)	19,586
Street Levy Capital Replacement	15,408	26,500	(11,092)
Other Governmental	255,726	161,878	93,848
Total	<u>\$925,776</u>	<u>\$912,615</u>	<u>\$13,161</u>

## **VILLAGE OF EAST PALESTINE, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2014**

**Unaudited**

General Fund – The Village's General Fund balance change is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2014 Revenues	2013 Revenues	Increase (Decrease)
Taxes	\$1,074,391	\$1,071,807	\$2,584
Intergovernmental Revenues	127,490	188,954	(61,464)
Charges for Services	183,459	187,890	(4,431)
Licenses and Permits	71,266	72,184	(918)
Investment Earnings	2,534	2,257	277
Fines and Forfeitures	16,104	14,573	1,531
All Other Revenue	32,999	50,116	(17,117)
Total	<u>\$1,508,243</u>	<u>\$1,587,781</u>	<u>(\$79,538)</u>

General Fund revenues decreased \$79,538, or approximately 5% from the prior year. A Federal Assistance to Firefighters Grant received for air pack purchases in the prior year resulted in the subsequent decrease in intergovernmental revenues in the current year.

	2014 Expenditures	2013 Expenditures	Increase (Decrease)
Current:			
Security of Persons and Property	\$1,014,823	\$975,660	\$39,163
General Government	436,321	413,330	22,991
Debt Service:			
Principal Retirement	12,999	51,818	(38,819)
Interest and Fiscal Charges	9,131	1,737	7,394
Total	<u>\$1,473,274</u>	<u>\$1,442,545</u>	<u>\$30,729</u>

General Fund expenditures increased \$30,729, or 2% from 2013. In 2013 the Village received grants for the purchase of air packs for the fire department, which resulted in an increase in security of persons and property. The subsequent decrease in security of persons and property in 2014 was offset by costs to have a police officer on the County Drug Task Force as well as severance pay for the retiring fire chief.

*Street Construction, Maintenance and Repair Fund* – The Street Construction, Maintenance and Repair Fund balance decreased \$17,823, or 16%. Revenues and expenditures were consistent with the prior year.

*Capital Improvement Fund* - The Capital Improvement Fund balance changed less than 1% to a deficit fund balance of \$2,086,250. An interfund loan payable to the General Fund is the primary factor contributing to this fund's large negative fund balance.

*Street Levy Capital Replacement Fund* - The Street Levy Capital Replacement Fund reported a decrease in fund balance of \$11,092. Revenues and expenditures were consistent with the prior year.

## **VILLAGE OF EAST PALESTINE, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2014***

***Unaudited***

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The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2014 the Village amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue of \$1,508,217 was not significantly different from original or final budget estimates. Budget basis expenditures of \$1,601,010 were 2% lower than final budget estimates due to an overall controlling of costs. The General Fund had an adequate fund balance to cover expenditures.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of 2014 the Village had \$15,636,152 net of accumulated depreciation invested in land, buildings, improvements, machinery, equipment and infrastructure. Of this total, \$6,169,164 was related to governmental activities and \$9,466,988 to the business-type activities. The following tables show fiscal year 2014 and 2013 balances:

	Governmental Activities		Increase (Decrease)
	2014	2013	
Land	\$414,574	\$414,574	\$0
Buildings	978,454	978,454	0
Improvements Other than Buildings	179,995	179,995	0
Machinery and Equipment	3,288,463	3,117,139	171,324
Infrastructure	5,178,806	5,033,129	145,677
Less: Accumulated Depreciation	(3,871,128)	(3,497,010)	(374,118)
Totals	<u>\$6,169,164</u>	<u>\$6,226,281</u>	<u>(\$57,117)</u>

The increase in machinery and equipment can be attributed to equipment and vehicle purchases in the police and fire departments, while an increase in infrastructure can be attributed to routine street maintenance.

## VILLAGE OF EAST PALESTINE, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2014**

**Unaudited**

	Business-Type Activities		Increase (Decrease)
	2014	2013	
Land	\$177,511	\$177,511	\$0
Construction in Progress	0	544,517	(544,517)
Buildings	1,973,207	1,973,207	0
Improvements Other than Buildings	1,611,903	935,857	676,046
Machinery and Equipment	1,462,802	1,419,480	43,322
Infrastructure	11,506,564	11,506,564	0
Less: Accumulated Depreciation	(7,264,999)	(6,926,818)	(338,181)
Totals	\$9,466,988	\$9,630,318	(\$163,330)

Completion of the Wheathill Reservoir project resulted in the increase in improvements. Additional information on the Village's capital assets can be found in Note 9.

### **Debt**

At December 31, 2014, the Village had \$2,740,000 in general obligation bonds outstanding, \$250,000 due within one year. The following table summarizes the Village's long-term obligations outstanding as of December 31, 2014 and 2013:

	2014	2013
Governmental Activities:		
Ohio Public Works Commission Loan	\$116,000	\$124,000
General Obligation Bonds	385,000	395,000
ODOT Street Improvement Loan	95,882	188,950
Ohio Department of Commerce Loan	0	113,750
Long Term Promissory Notes	62,795	112,662
Capital Leases	103,596	0
Compensated Absences	98,956	166,618
Total Governmental Activities	862,229	1,100,980
Business-Type Activities:		
General Obligation Bonds	2,355,000	2,590,000
Ohio Public Works Commission Loans	820,598	871,726
Ohio Water Development Authority Loans	2,792,466	2,873,736
Capital Leases	17,752	34,906
Compensated Absences	111,482	89,436
Total Business-Type Activities	6,097,298	6,459,804
Totals	\$6,959,527	\$7,560,784

Under current state statutes, the Village's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2014, the Village's outstanding debt was below the legal limit. Additional information on the Village's long-term debt can be found in Note 12.

## **VILLAGE OF EAST PALESTINE, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2014***

***Unaudited***

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### **ECONOMIC FACTORS**

At one time, the Village of East Palestine was known for its pottery production with the potteries being the largest employers in the Village. Currently the Village has only one pottery left. The Village has five industrial plants with the remaining businesses being mainly sole-proprietor businesses.

The residents of East Palestine passed a 5 mill street levy in 2010; with collections starting in 2011. The annual collection has been approximately \$296,100. Currently in 2014 we repaved Sugar Camp Dr, High St, Thomas St, East St, Leake St, W. Taggart St., W. Main St., N. Pleasant Dr, and S. Pleasant Dr. We are continuing to look at future paving projects in and 2015 using the Street Levy monies. The Street Levy was renewed for 5 more years.

The Village of East Palestine had one new business open up in 2014.

The Fire Department received a grant to purchase new turnout gear and breathing apparatus.

The Village purchased three (3) new vehicles (Ambulance, Cruiser and new truck).

The Village's 2015 budget is very conservative.

The school district is the Village's largest withholding employer of Village Income Tax.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Traci Thompson, Finance Director of the Village of East Palestine.

***VILLAGE OF EAST PALESTINE, OHIO***

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## VILLAGE OF EAST PALESTINE, OHIO

### *Statement of Net Position* *December 31, 2014*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 478,335	\$ 729,877	\$ 1,208,212
Investments	133,389	0	133,389
Receivables:			
Taxes	1,093,635	0	1,093,635
Accounts	70,066	268,298	338,364
Intergovernmental	232,886	0	232,886
Internal Balances	35,000	(35,000)	0
Inventory of Supplies at Cost	22,428	14,630	37,058
Prepaid Items	23,056	8,746	31,802
Non-Depreciable Capital Assets	414,574	177,511	592,085
Depreciable Capital Assets, Net	5,754,590	9,289,477	15,044,067
<b>Total Assets</b>	<b>8,257,959</b>	<b>10,453,539</b>	<b>18,711,498</b>
<b>Liabilities:</b>			
Accounts Payable	25,778	35,788	61,566
Accrued Wages and Benefits	68,604	25,675	94,279
Intergovernmental Payable	4,138	2,600	6,738
Accrued Interest Payable	3,697	20,917	24,614
Noncurrent liabilities:			
Due within one year	219,598	535,425	755,023
Due in more than one year	642,631	5,561,873	6,204,504
<b>Total Liabilities</b>	<b>964,446</b>	<b>6,182,278</b>	<b>7,146,724</b>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	639,877	0	639,877
<b>Net Position:</b>			
Net Investment in Capital Assets	5,405,891	3,481,172	8,887,063
Restricted For:			
Capital Projects	237,495	0	237,495
Other Purposes	367,713	0	367,713
Unrestricted	642,537	790,089	1,432,626
<b>Total Net Position</b>	<b>\$ 6,653,636</b>	<b>\$ 4,271,261</b>	<b>\$ 10,924,897</b>

See accompanying notes to the basic financial statements

**VILLAGE OF EAST PALESTINE, OHIO**

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**Statement of Activities**  
**For the Year Ended December 31, 2014**

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	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 1,231,104	\$ 290,606	\$ 57,362	\$ 10,000
Leisure Time Activities	220,062	66,245	0	0
Community Environment	3,860	0	24,959	0
Public Health and Welfare	35,643	25,934	0	0
Transportation	428,187	0	303,785	0
General Government	572,467	71,266	0	0
Interest and Fiscal Charges	24,961	0	0	0
<b>Total Governmental Activities</b>	<b>2,516,284</b>	<b>454,051</b>	<b>386,106</b>	<b>10,000</b>
<b>Business-Type Activities:</b>				
Water	612,422	623,109	0	2,136
Wastewater	1,003,587	1,182,017	0	0
<b>Total Business-Type Activities</b>	<b>1,616,009</b>	<b>1,805,126</b>	<b>0</b>	<b>2,136</b>
<b>Totals</b>	<b>\$ 4,132,293</b>	<b>\$ 2,259,177</b>	<b>\$ 386,106</b>	<b>\$ 12,136</b>

**General Revenues**

Property Taxes Levied for:  
    General Purposes  
    Special Purposes  
Income Tax  
Other Local Taxes  
Intergovernmental Revenues, Unrestricted  
Investment Earnings  
Miscellaneous  
Total General Revenues

Change in Net Position

Net Position Beginning of Year  
Net Position End of Year

See accompanying notes to the basic financial statements

**VILLAGE OF EAST PALESTINE, OHIO**

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Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (873,136)	\$ 0	\$ (873,136)
(153,817)	0	(153,817)
21,099	0	21,099
(9,709)	0	(9,709)
(124,402)	0	(124,402)
(501,201)	0	(501,201)
(24,961)	0	(24,961)
<u>(1,666,127)</u>	<u>0</u>	<u>(1,666,127)</u>
0	12,823	12,823
0	178,430	178,430
<u>0</u>	<u>191,253</u>	<u>191,253</u>
\$ (1,666,127)	\$ 191,253	\$ (1,474,874)
109,163	0	109,163
560,544	0	560,544
968,925	0	968,925
518	0	518
172,560	0	172,560
2,676	0	2,676
61,449	0	61,449
<u>1,875,835</u>	<u>0</u>	<u>1,875,835</u>
209,708	191,253	400,961
<u>6,443,928</u>	<u>4,080,008</u>	<u>10,523,936</u>
<u>\$ 6,653,636</u>	<u>\$ 4,271,261</u>	<u>\$ 10,924,897</u>

**VILLAGE OF EAST PALESTINE, OHIO**

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**Balance Sheet**  
**Governmental Funds**  
**December 31, 2014**

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	General	Street Construction Maintenance and Repair	Capital Improvement
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 137,192	\$ 35,404	\$ 52,886
Investments	100,591	0	0
Receivables:			
Taxes	451,266	0	0
Accounts	69,831	0	0
Intergovernmental	38,020	133,288	0
Interfund Loans Receivable	2,179,136	0	0
Inventory of Supplies	0	22,428	0
Prepaid Items	22,228	0	0
<b>Total Assets</b>	<b>\$ 2,998,264</b>	<b>\$ 191,120</b>	<b>\$ 52,886</b>
<b>Liabilities:</b>			
Accounts Payable	\$ 18,280	\$ 2,777	\$ 0
Accrued Wages and Benefits Payable	52,861	5,402	0
Intergovernmental Payable	4,138	0	0
Interfund Loans Payable	0	0	2,139,136
<b>Total Liabilities</b>	<b>75,279</b>	<b>8,179</b>	<b>2,139,136</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Amounts	172,220	88,859	0
Property Tax Levy for Next Fiscal Year	103,955	0	0
<b>Total Deferred Inflows of Resources</b>	<b>276,175</b>	<b>88,859</b>	<b>0</b>
<b>Fund Balance:</b>			
Nonspendable	2,196,364	22,428	0
Restricted	0	71,654	0
Assigned	101,718	0	0
Unassigned	348,728	0	(2,086,250)
<b>Total Fund Balance</b>	<b>2,646,810</b>	<b>94,082</b>	<b>(2,086,250)</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 2,998,264</b>	<b>\$ 191,120</b>	<b>\$ 52,886</b>

See accompanying notes to the basic financial statements

**VILLAGE OF EAST PALESTINE, OHIO**

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Street Levy Capital Replacement	Other Governmental Funds	Total Governmental Funds
\$ 18,446	\$ 234,407	\$ 478,335
0	32,798	133,389
296,108	346,261	1,093,635
0	235	70,066
23,315	38,263	232,886
0	0	2,179,136
0	0	22,428
0	828	23,056
<u>\$ 337,869</u>	<u>\$ 652,792</u>	<u>\$ 4,232,931</u>
\$ 3,038	\$ 1,683	\$ 25,778
0	10,341	68,604
0	0	4,138
0	5,000	2,144,136
<u>3,038</u>	<u>17,024</u>	<u>2,242,656</u>
72,153	91,390	424,622
<u>247,270</u>	<u>288,652</u>	<u>639,877</u>
<u>319,423</u>	<u>380,042</u>	<u>1,064,499</u>
0	828	2,219,620
15,408	254,898	341,960
0	0	101,718
0	0	(1,737,522)
<u>15,408</u>	<u>255,726</u>	<u>925,776</u>
<u>\$ 337,869</u>	<u>\$ 652,792</u>	<u>\$ 4,232,931</u>

**VILLAGE OF EAST PALESTINE, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Position Of Governmental Activities  
December 31, 2014***

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<b>Total Governmental Fund Balances</b>	\$	925,776
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		6,169,164
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		424,622
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences Payable	(98,956)	
Ohio Public Works Commission Loans Payable	(116,000)	
Ohio Department of Transportation Loan Payable	(95,882)	
Capital Leases	(103,596)	
Long Term Promissory Notes	(62,795)	
General Obligation Bonds Payable	(385,000)	
Accrued Interest Payable	(3,697)	(865,926)
		<u>                    </u>
<b><i>Net Position of Governmental Activities</i></b>	<b>\$</b>	<b><u>6,653,636</u></b>

See accompanying notes to the basic financial statements

***VILLAGE OF EAST PALESTINE, OHIO***

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**VILLAGE OF EAST PALESTINE, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2014**

	General	Street Construction Maintenance and Repair	Capital Improvement
	<u>General</u>	<u>Maintenance and Repair</u>	<u>Capital Improvement</u>
<b>Revenues:</b>			
Taxes	\$ 1,074,391	\$ 0	\$ 0
Intergovernmental Revenues	127,490	278,183	0
Charges for Services	183,459	0	0
Licenses and Permits	71,266	0	0
Investment Earnings	2,534	0	0
Fines and Forfeitures	16,104	0	0
All Other Revenue	32,999	4,070	0
<b>Total Revenue</b>	<u>1,508,243</u>	<u>282,253</u>	<u>0</u>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	1,014,823	0	0
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	276,812	0
General Government	436,321	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	12,999	40,000	58,069
Interest & Fiscal Charges	9,131	0	18,672
<b>Total Expenditures</b>	<u>1,473,274</u>	<u>316,812</u>	<u>76,741</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	34,969	(34,559)	(76,741)
<b>Other Financing Sources (Uses):</b>			
Loan Proceeds	0	0	0
Transfers In	0	0	96,327
Transfers Out	(106,327)	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>(106,327)</u>	<u>0</u>	<u>96,327</u>
Net Change in Fund Balance	(71,358)	(34,559)	19,586
<b>Fund Balance at Beginning of Year</b>	2,718,168	111,905	(2,105,836)
Increase in Inventory	0	16,736	0
<b>Fund Balance End of Year</b>	<u>\$ 2,646,810</u>	<u>\$ 94,082</u>	<u>\$ (2,086,250)</u>

See accompanying notes to the basic financial statements



**VILLAGE OF EAST PALESTINE, OHIO**

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Street Levy Capital Replacement	Other Governmental Funds	Total Governmental Funds
\$ 258,952	\$ 300,975	\$ 1,634,318
46,116	112,869	564,658
0	182,179	365,638
0	0	71,266
0	142	2,676
0	1,043	17,147
627	23,753	61,449
<u>305,695</u>	<u>620,961</u>	<u>2,717,152</u>
0	101,428	1,116,251
0	181,706	181,706
0	3,860	3,860
0	35,643	35,643
0	24,732	301,544
0	0	436,321
278,992	164,287	443,279
35,702	127,915	274,685
2,093	1,138	31,034
<u>316,787</u>	<u>640,709</u>	<u>2,824,323</u>
(11,092)	(19,748)	(107,171)
0	103,596	103,596
0	10,000	106,327
0	0	(106,327)
<u>0</u>	<u>113,596</u>	<u>103,596</u>
(11,092)	93,848	(3,575)
26,500	161,878	912,615
0	0	16,736
<u>\$ 15,408</u>	<u>\$ 255,726</u>	<u>\$ 925,776</u>

**VILLAGE OF EAST PALESTINE, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Year Ended December 31, 2014***

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**Net Change in Fund Balances - Total Governmental Funds** \$ (3,575)

***Amounts reported for governmental activities in the statement of activities are different because***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	317,001	
Depreciation Expense	(374,118)	(57,117)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		8,840
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The issuance of long-term debt (e.g. notes, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Inception of Capital Lease		(103,596)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Ohio Public Works Commission Loan Retirement	8,000	
General Obligation Bond Retirement	10,000	
Ohio Department of Transportation Loan Retirement	93,068	
Ohio Department of Commerce Loan Retirement	113,750	
Long Term Promissory Note Retirement	49,867	274,685

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		6,073
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	67,662	
Change in Inventory	16,736	84,398

<b><i>Change in Net Position of Governmental Activities</i></b>		<b><u>\$ 209,708</u></b>
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See accompanying notes to the basic financial statements

## VILLAGE OF EAST PALESTINE, OHIO

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,003,901	\$ 1,105,967	\$ 1,073,161	\$ (32,806)
Intergovernmental Revenues	107,276	118,183	127,341	9,158
Charges for Services	178,935	197,128	183,459	(13,669)
Licenses and Permits	63,540	70,000	72,484	2,484
Investment Earnings	1,452	1,600	2,534	934
Fines and Forfeitures	15,431	17,000	15,727	(1,273)
All Other Revenues	19,854	21,873	33,511	11,638
Total Revenues	<u>1,390,389</u>	<u>1,531,751</u>	<u>1,508,217</u>	<u>(23,534)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	956,217	1,039,848	1,008,096	31,752
General Government	416,519	452,947	448,789	4,158
Debt Service:				
Principal Retirement	11,954	12,999	12,999	0
Interest and Fiscal Charges	8,397	9,131	9,131	0
Total Expenditures	<u>1,393,087</u>	<u>1,514,925</u>	<u>1,479,015</u>	<u>35,910</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,698)	16,826	29,202	12,376
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(116,995)	(116,995)	(116,995)	0
Advances Out	(5,000)	(5,000)	(5,000)	0
Total Other Financing Sources (Uses):	<u>(121,995)</u>	<u>(121,995)</u>	<u>(121,995)</u>	<u>0</u>
Net Change in Fund Balance	(124,693)	(105,169)	(92,793)	12,376
Fund Balance at Beginning of Year	233,796	233,796	233,796	0
Prior Year Encumbrances	15,049	15,049	15,049	0
Fund Balance at End of Year	<u>\$ 124,152</u>	<u>\$ 143,676</u>	<u>\$ 156,052</u>	<u>\$ 12,376</u>

See accompanying notes to the basic financial statements

**VILLAGE OF EAST PALESTINE, OHIO**

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**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Street Construction , Maintenance and Repair Fund  
For the Year Ended December 31, 2014**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental Revenue	\$ 262,158	\$ 284,641	\$ 276,774	\$ (7,867)
All Other Revenues	1,842	2,000	4,070	2,070
Total Revenues	264,000	286,641	280,844	(5,797)
<b>Expenditures:</b>				
Current:				
Transportation	265,390	289,458	281,954	7,504
Debt Service:				
Principal Retirement	36,674	40,000	40,000	0
Total Expenditures	302,064	329,458	321,954	7,504
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(38,064)	(42,817)	(41,110)	1,707
Fund Balance at Beginning of Year				
Fund Balance at Beginning of Year	71,297	71,297	71,297	0
Prior Year Encumbrances				
Prior Year Encumbrances	5,217	5,217	5,217	0
Fund Balance at End of Year				
Fund Balance at End of Year	\$ 38,450	\$ 33,697	\$ 35,404	\$ 1,707

See accompanying notes to the basic financial statements

**VILLAGE OF EAST PALESTINE, OHIO**

**Statement of Net Position  
Proprietary Funds  
December 31, 2014**

	Business-Type Activities		
	Enterprise Funds		Total
	Water	Wastewater	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 476,834	\$ 253,043	\$ 729,877
Receivables:			
Accounts	87,439	180,859	268,298
Inventory of Supplies at Cost	12,760	1,870	14,630
Prepaid Items	5,254	3,492	8,746
Total Current Assets	582,287	439,264	1,021,551
Noncurrent Assets:			
Capital Assets, Net	2,876,648	6,590,340	9,466,988
Total Noncurrent Assets	2,876,648	6,590,340	9,466,988
<b>Total Assets</b>	3,458,935	7,029,604	10,488,539
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	10,326	25,462	35,788
Accrued Wages and Benefits	10,434	15,241	25,675
Intergovernmental Payable	0	2,600	2,600
Compensated Absences Payable - Current	8,031	21,411	29,442
Accrued Interest Payable	7,053	13,864	20,917
Capital Leases Payable - Current	8,876	8,876	17,752
General Obligation Bonds Payable - Current	24,000	211,000	235,000
OWDA Loans Payable - Current	12,114	189,989	202,103
OPWC Loans Payable - Current	15,934	35,194	51,128
Total Current Liabilities	96,768	523,637	620,405
Noncurrent Liabilities:			
General Obligation Bonds Payable	77,250	2,042,750	2,120,000
OWDA Loans Payable	929,815	1,660,548	2,590,363
OPWC Loans Payable	306,227	463,243	769,470
Interfund Loan Payable	10,000	25,000	35,000
Compensated Absences Payable	37,611	44,429	82,040
Total Noncurrent Liabilities	1,360,903	4,235,970	5,596,873
<b>Total Liabilities</b>	1,457,671	4,759,607	6,217,278
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,502,432	1,978,740	3,481,172
Unrestricted	498,832	291,257	790,089
<b>Total Net Position</b>	\$ 2,001,264	\$ 2,269,997	\$ 4,271,261

See accompanying notes to the basic financial statements

**VILLAGE OF EAST PALESTINE, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2014**

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Wastewater	
<b>Operating Revenues:</b>			
Charges for Services	\$ 593,118	\$ 1,179,196	\$ 1,772,314
<b>Total Operating Revenues</b>	593,118	1,179,196	1,772,314
<b>Operating Expenses:</b>			
Personal Services	269,107	390,569	659,676
Contractual Services	130,121	205,816	335,937
Materials and Supplies	83,141	48,505	131,646
Depreciation	103,345	236,286	339,631
<b>Total Operating Expenses</b>	585,714	881,176	1,466,890
<b>Operating Income</b>	7,404	298,020	305,424
<b>Non-Operating Revenue (Expenses):</b>			
Interest and Fiscal Charges	(26,614)	(122,315)	(148,929)
Other Nonoperating Revenue	29,991	2,821	32,812
Other Nonoperating Expense	(94)	(96)	(190)
<b>Total Non-Operating Revenues (Expenses)</b>	3,283	(119,590)	(116,307)
<b>Income Before Contributions</b>	10,687	178,430	189,117
<b>Contributions:</b>			
Capital Contributions	2,136	0	2,136
<b>Total Contributions</b>	2,136	0	2,136
<b>Change in Net Position</b>	12,823	178,430	191,253
<b>Net Position Beginning of Year</b>	1,988,441	2,091,567	4,080,008
<b>Net Position End of Year</b>	\$ 2,001,264	\$ 2,269,997	\$ 4,271,261

See accompanying notes to the basic financial statements

## VILLAGE OF EAST PALESTINE, OHIO

### ***Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2014***

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Wastewater	
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$608,827	\$1,147,600	\$1,756,427
Cash Payments for Goods and Services	(221,975)	(246,327)	(468,302)
Cash Payments to Employees	(252,859)	(370,972)	(623,831)
Net Cash Provided by Operating Activities	<u>133,993</u>	<u>530,301</u>	<u>664,294</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>			
Acquisition and Construction of Assets	(183,138)	(10,317)	(193,455)
Capital Contributions	2,136	0	2,136
Principal Paid on Ohio Water Development Authority Loans	(25,536)	(187,263)	(212,799)
Proceeds from Ohio Water Development Authority Loans	131,529	0	131,529
Principal Paid on General Obligation Bonds	(24,000)	(211,000)	(235,000)
Principal Paid on Ohio Public Works Commission Loans	(15,934)	(35,194)	(51,128)
Interest Paid on All Debt	(26,912)	(124,012)	(150,924)
Net Cash Used by Capital and Related Financing Activities	<u>(141,855)</u>	<u>(567,786)</u>	<u>(709,641)</u>
Decrease in Cash and Cash Equivalents	(7,862)	(37,485)	(45,347)
Cash and Cash Equivalents at Beginning of Year	484,696	290,528	775,224
Cash and Cash Equivalents at End of Year	<u>\$476,834</u>	<u>\$253,043</u>	<u>\$729,877</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>			
Operating Income	\$7,404	\$298,020	\$305,424
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	103,345	236,286	339,631
Miscellaneous Nonoperating Revenue	29,991	2,821	32,812
Miscellaneous Nonoperating Expense	(94)	(96)	(190)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(14,282)	(34,417)	(48,699)
(Increase) Decrease in Inventory	(10,238)	2,995	(7,243)
(Increase) Decrease in Prepaid Items	(194)	3,663	3,469
Increase in Accounts Payable	4,382	4,258	8,640
Increase in Intergovernmental Payable	0	2,600	2,600
Increase in Accrued Wages and Benefits	3,468	2,336	5,804
Increase in Compensated Absences	10,211	11,835	22,046
Total Adjustments	<u>126,589</u>	<u>232,281</u>	<u>358,870</u>
Net Cash Provided by Operating Activities	<u>\$133,993</u>	<u>\$530,301</u>	<u>\$664,294</u>

See accompanying notes to the basic financial statements

## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting Entity**

The Village of East Palestine, Ohio (the "Village") is a home rule municipal corporation created under the laws of the State of Ohio. East Palestine was first incorporated as a village on February 27, 1876. The Village currently operates under and is governed by its own Charter. The current Charter, which provides for a Council-Village Manager form of government, was adopted in 1990.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"* and GASB Statement No. 61, *"The Financial Reporting Entity; Omnibus"* in that the financial statements include all organizations, activities, functions and component units for which the Village (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the Village's ability to impose its will over the organization, or the possibility that the organization will provide a financial benefit to or impose a financial burden on the Village. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the Village's reporting entity. Based on the foregoing, the reporting entity of the Village includes the following services: police and fire protection, emergency medical, parks, recreation, planning, zoning, street maintenance and other governmental services. In addition, the Village owns and operates a water treatment and distribution system and a wastewater treatment and collection system, which are reported as enterprise funds.

The accounting policies and financial reporting practices of the Village conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

##### **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the Village:

***Governmental Funds*** - The governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the Village's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the Village's major governmental funds:



## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basis of Presentation - Fund Accounting** (Continued)

General Fund - This fund is used to account for all financial resources except those resources accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio and the provisions of the Village Charter.

Street Construction, Maintenance and Repair Fund - This fund is used to account for revenues distributed by the State from the motor vehicle registration and gasoline tax. Expenditures may only be used for Village street construction, maintenance and repair.

Capital Improvement Fund - This fund is used to account for income tax revenue in the form of transfers to be used for the major capital projects undertaken by the Village and related debt payments other than those accounted for in the Water and Wastewater funds.

Street Levy Capital Replacement Fund - This fund is used to account for property taxes levied for Village street and infrastructure improvements.

***Proprietary Funds*** - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of the proprietary funds are included on the statement of net position. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Village's major enterprise funds are:

Water Fund - This fund is used to account for the operation of the Village's water service.

Wastewater Fund - This fund is used to account for the operation of the Village's sanitary sewer service.

##### **C. Basis of Presentation - Financial Statements**

**Government-wide Financial Statements** - The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **C. Basis of Presentation – Financial Statements** (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Village and for each function or program of the Village's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Village, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Village.

**Fund Financial Statements** – Fund financial statements report detailed information about the Village. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Village finances and meets the cash flow needs of its proprietary activities.

##### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **D. Basis of Accounting (Continued)**

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the Village is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the Village receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Village must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Village on a reimbursement basis.

Revenues considered susceptible to accrual at year end include income taxes, interest on investments, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until received.

Property taxes measurable as of December 31, 2014 but which are not intended to finance 2014 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the government-wide statements and proprietary funds. Revenues are recognized when earned and expenses are recognized when they are incurred.

## VILLAGE OF EAST PALESTINE, OHIO

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2014*

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the Village Council.

##### **1. Tax Budget**

By July 15, the Village Manager submits an annual tax budget for the following fiscal year to Village Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

##### **2. Estimated Resources**

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the Village by September 1 of each year. As part of the certification process, the Village receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2014.

## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process (Continued)**

##### **3. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Village Council. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - for the General Fund and Major Special Revenue Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

##### **4. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

##### **5. Budgetary Basis of Accounting**

The Village's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

**VILLAGE OF EAST PALESTINE, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Major Special Revenue Fund:

	Net Change in Fund Balance	
	General Fund	Street Construction Maintenance and Repair Fund
GAAP Basis (as reported)	(\$71,358)	(\$34,559)
Increase (Decrease):		
Accrued Revenues at December 31, 2014 received during 2015	(287,942)	(44,429)
Accrued Revenues at December 31, 2013 received during 2014	282,916	43,020
Accrued Expenditures at December 31, 2014 paid during 2015	75,279	8,179
Accrued Expenditures at December 31, 2013 paid during 2014	(75,948)	(13,321)
2013 Prepays for 2014	22,942	0
2014 Prepays for 2015	(22,228)	0
Outstanding Encumbrances	(5,787)	0
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	(10,667)	0
Budget Basis	(\$92,793)	(\$41,110)

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, the State Treasurer's Asset Reserve (STAR Ohio), and short-term certificates of deposit with original maturities of three months or less. STAR Ohio is considered a cash equivalent because of its highly liquid nature.

The Village pools a majority of its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' shares of equity in pooled repurchase agreements and certificates of deposit are considered to be cash equivalents. See Note 4, "Cash, Cash Equivalents and Investments."

## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the Village reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost. At December 31, 2014 the Village reported \$133,389 of investments, which are certificates of deposit with original maturities of greater than three months.

The Village invested funds in the STAR Ohio during 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2014. See Note 4, "Cash, Cash Equivalents and Investments."

##### **H. Inventory**

On the government-wide financial statements and in the proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

##### **I. Capital Assets and Depreciation**

Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000.

###### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, construction in progress, buildings, improvements other than buildings, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **I. Capital Assets and Depreciation** (Continued)

###### **1. Property, Plant and Equipment - Governmental Activities** (Continued)

Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

###### **2. Property, Plant and Equipment – Business Type Activities**

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective funds.

###### **3. Depreciation**

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	30 - 40
Improvements other than Buildings	50
Machinery and Equipment	5 – 15
Infrastructure	50 – 100



**VILLAGE OF EAST PALESTINE, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Ohio Water Development Authority Loans	Water Fund, Wastewater Fund
General Obligation Bonds	General Fund, Capital Improvement Fund, Water Fund, Wastewater Fund
Ohio Public Works Commission Loan	Capital Improvement Fund, Water Fund, Wastewater Fund
Compensated Absences	General Fund, Parks and Recreation Fund, Street Construction, Maintenance and Repair Fund, Water Fund, Wastewater Fund
Ohio Department of Transportation Loan	General Fund, Capital Improvement Fund, Street Construction, Maintenance and Repair Fund
Ohio Department of Commerce Loan	Fire Equipment Unit Fund
Long Term Promissory Notes	Parks and Recreation Fund, Cemetery Fund, Street Levy Capital Replacement Fund, Fire Capital Replacement Fund
Capital Leases	Fire Capital Replacement Fund, Water Fund, Wastewater Fund

**K. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **K. Compensated Absences** (Continued)

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, the portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the Government-wide Statements under Long-term Liabilities.

Compensated absences are expensed in the Water and Wastewater Funds when earned, and the related liability is reported within the fund.

##### **L. Net Position**

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Village applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

##### **M. Pensions**

The provision for pension cost is recorded when the related payroll is accrued and the obligation is incurred.

##### **N. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

## VILLAGE OF EAST PALESTINE, OHIO

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2014*

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **O. Fund Balances**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable* – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

*Restricted* – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Village to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision making authority. For the Village, these constraints consist of ordinances passed by Village Council. Committed amounts cannot be used for any other purpose unless the Village removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts. The Village has no fund balances reported as committed at December 31, 2014.

*Assigned* – Assigned fund balance consists of amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned* – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **P. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Village, these revenues are charges for services for water treatment and distribution and wastewater collection and treatment. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### **Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. The Village had no extraordinary or special items to report during fiscal year 2014.

##### **R. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Village reports no deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## VILLAGE OF EAST PALESTINE, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2014*

#### NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

**Fund Deficits** - The fund deficit at December 31, 2014 of \$2,086,250 in the Capital Improvement Fund (capital projects fund) arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary/cash basis. The general fund provides transfers when cash is required, not when accruals occur.

#### NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, assigned, and unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Street Construction Maintenance and Repair Fund	Capital Improvement Fund	Street Levy Capital Replacement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid Items	\$22,228	\$0	\$0	\$0	\$828	\$23,056
Supplies Inventory	0	22,428	0	0	0	22,428
Interfund Loans Receivable	2,174,136	0	0	0	0	2,174,136
<b>Total Nonspendable</b>	<b>2,196,364</b>	<b>22,428</b>	<b>0</b>	<b>0</b>	<b>828</b>	<b>2,219,620</b>
Restricted:						
Fire Capital Improvements	0	0	0	0	101,643	101,643
Police Capital Improvements	0	0	0	0	18,640	18,640
Street Capital Improvements	0	0	0	15,408	0	15,408
Community Development and Improvement	0	0	0	0	72,964	72,964
Street Maintenance and Repair	0	71,654	0	0	890	72,544
Fire Protection	0	0	0	0	435	435
EMS Training	0	0	0	0	1,560	1,560
Parks and Recreation	0	0	0	0	2,104	2,104
Cemetery Maintenance	0	0	0	0	33,159	33,159
Law Enforcement	0	0	0	0	23,503	23,503
<b>Total Restricted</b>	<b>0</b>	<b>71,654</b>	<b>0</b>	<b>15,408</b>	<b>254,898</b>	<b>341,960</b>
Assigned:						
Encumbrances	4,404	0	0	0	0	4,404
Compensated Absences	141	0	0	0	0	141
Budget Resource	97,173	0	0	0	0	97,173
<b>Total Assigned</b>	<b>101,718</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>101,718</b>
Unassigned (Deficits):	348,728	0	(2,086,250)	0	0	(1,737,522)
<b>Total Fund Balances</b>	<b>\$2,646,810</b>	<b>\$94,082</b>	<b>(\$2,086,250)</b>	<b>\$15,408</b>	<b>\$255,726</b>	<b>\$925,776</b>

## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the Village into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the Village. Such funds must be maintained either as cash in the Village Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

**VILLAGE OF EAST PALESTINE, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

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**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of Village cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Village places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the Village's deposits was \$1,270,418 and the bank balance was \$1,310,924. Federal depository insurance covered the entire bank balance.

Investment earnings of \$2,218 earned by other funds were credited to the General Fund as required by state statute.

**B. Investments**

The Village's investments at December 31, 2014 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$71,183	AAAm <sup>1</sup>	\$71,183	\$0	\$0
Total Investments	<u>\$71,183</u>		<u>\$71,183</u>	<u>\$0</u>	<u>\$0</u>

<sup>1</sup> Standard & Poor's

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

**VILLAGE OF EAST PALESTINE, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

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**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**C. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio and certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$1,208,212	\$133,389
Certificates of Deposit (with maturities of more than 3 months)	133,389	(133,389)
Investments:		
STAR Ohio	<u>(71,183)</u>	<u>71,183</u>
Per GASB Statement No. 3	<u>\$1,270,418</u>	<u>\$71,183</u>

**NOTE 5 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property located in the Village. Real property taxes (other than public utility) collected during 2014 were levied after October 1, 2013 on assessed values as of January 1, 2013, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2010. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.



## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 5 - TAXES (Continued)**

##### **A. Property Taxes** (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the Village of East Palestine. The County Auditor periodically remits to the Village its portion of the taxes collected.

The full property tax rate for all Village operations for the year ended December 31, 2014 was \$13.90 per \$1,000 of assessed value. The assessed value upon which the 2014 tax levy was based was \$61,789,690. This amount constitutes \$58,430,080 in real property assessed value and \$3,359,610 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the Village's share is 1.39% (13.90 mills) of assessed value.

##### **B. Income Taxes**

The Village levies a tax of 1.0% on all salaries, wages, commissions and other compensation, on net profits earned within the Village and on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

#### **NOTE 6 - RECEIVABLES**

Receivables at December 31, 2014 consisted of taxes, accounts receivable, interfund loans receivable and intergovernmental receivables.

**VILLAGE OF EAST PALESTINE, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

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**NOTE 7 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2014:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$0	\$106,327
Capital Improvement Fund	96,327	0
Other Governmental Funds	10,000	0
Totals	\$106,327	\$106,327

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

The following is a summary of interfund loans receivable and payable for all funds for 2014:

Fund	Interfund Loans Receivable	Interfund Loans Payable
Governmental Funds:		
General Fund	\$2,179,136	\$0
Capital Improvement Fund	0	2,139,136
Other Governmental Funds	0	5,000
Total Governmental Funds	2,179,136	2,144,136
Proprietary Funds:		
Water Fund	0	10,000
Wastewater Fund	0	25,000
Total Proprietary Funds	0	35,000
Totals	\$2,179,136	\$2,179,136

Interfund loans of \$2,174,136 are the result of advances made to the Capital Improvement Fund, Water Fund, and Wastewater Fund from the General Fund for various capital improvements. The loans were initially made during the period from 1996 to 2006. In 2013 the Village passed an ordinance to suspend repayments of the interfund loans through December 31, 2015.

In 2014 the General Fund advanced \$5,000 to the State Highway Fund to assist with cash flow. This interfund loan will be paid back in 2015.

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**VILLAGE OF EAST PALESTINE, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2014:

**Historical Cost:**

Class	December 31, 2013	Additions	Deletions	December 31, 2014
<b>Capital assets not being depreciated:</b>				
Land	\$414,574	\$0	\$0	\$414,574
Subtotal	414,574	0	0	414,574
<b>Capital assets being depreciated:</b>				
Buildings	978,454	0	0	978,454
Improvements Other than Buildings	179,995	0	0	179,995
Machinery and Equipment	3,117,139	171,324	0	3,288,463
Infrastructure	5,033,129	145,677	0	5,178,806
Subtotal	9,308,717	317,001	0	9,625,718
Total Cost	<u>\$9,723,291</u>	<u>\$317,001</u>	<u>\$0</u>	<u>\$10,040,292</u>

**Accumulated Depreciation:**

Class	December 31, 2013	Additions	Deletions	December 31, 2014
Buildings	(\$443,585)	(\$21,259)	\$0	(\$464,844)
Improvements Other than Buildings	(83,987)	(8,100)	0	(92,087)
Machinery and Equipment	(2,195,846)	(171,477)	0	(2,367,323)
Infrastructure	(773,592)	(173,282)	0	(946,874)
Total Depreciation	<u>(\$3,497,010)</u>	<u>(\$374,118) *</u>	<u>\$0</u>	<u>(\$3,871,128)</u>
<b>Net Value:</b>	<u>\$6,226,281</u>			<u>\$6,169,164</u>

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$160,326
Leisure Time Activities	35,723
Transportation	169,765
General Government	8,304
Total Depreciation Expense	<u>\$374,118</u>

**VILLAGE OF EAST PALESTINE, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

**NOTE 9 - CAPITAL ASSETS (Continued)**

**B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2014:

*Historical Cost:*

Class	December 31, 2013	Additions	Deletions	December 31, 2014
<i>Capital assets not being depreciated:</i>				
Land	\$177,511	\$0	\$0	\$177,511
Construction in Progress	544,517	0	(544,517)	0
Subtotal	<u>722,028</u>	<u>0</u>	<u>(544,517)</u>	<u>177,511</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,973,207	0	0	1,973,207
Improvements Other than Buildings	935,857	676,046	0	1,611,903
Machinery and Equipment	1,419,480	44,772	(1,450)	1,462,802
Infrastructure	11,506,564	0	0	11,506,564
Subtotal	<u>15,835,108</u>	<u>720,818</u>	<u>(1,450)</u>	<u>16,554,476</u>
Total Cost	<u><u>\$16,557,136</u></u>	<u><u>\$720,818</u></u>	<u><u>(\$545,967)</u></u>	<u><u>\$16,731,987</u></u>

*Accumulated Depreciation:*

Class	December 31, 2013	Additions	Deletions	December 31, 2014
Buildings	(\$1,479,057)	(\$49,330)	\$0	(\$1,528,387)
Improvements Other than Buildings	(329,956)	(25,315)	0	(355,271)
Machinery and Equipment	(1,308,627)	(22,054)	1,450	(1,329,231)
Infrastructure	(3,809,178)	(242,932)	0	(4,052,110)
Total Depreciation	<u>(\$6,926,818)</u>	<u>(\$339,631)</u>	<u>\$1,450</u>	<u>(\$7,264,999)</u>
<i>Net Value:</i>	<u><u>\$9,630,318</u></u>			<u><u>\$9,466,988</u></u>

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## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS**

All of the Village's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

##### **A. Ohio Public Employees Retirement System ("OPERS")**

The following information was provided by OPERS to assist the Village in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers."

All employees of the Village, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2014, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2014 employer contribution rate for local government employer units was 14.00% of covered payroll, which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the Village's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional and Combined Plans was 12.0% for calendar year 2014. The contribution requirements of plan members and the Village are established and may be amended by the OPERS Board. The Village's contributions for pension obligations to OPERS for the years ending December 31, 2014, 2013, and 2012 were \$121,381, \$125,367 and \$91,701, respectively, which were equal to the required contributions for each year.

## VILLAGE OF EAST PALESTINE, OHIO

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2014*

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#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. Ohio Police and Fire Pension Fund (“OP&F”)**

All Village full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164, by calling (614) 228-2975, or by visiting [www.op-f.org](http://www.op-f.org).

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014, employers were required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the Village’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2014, 19.0% of annual covered salary for police and 23.5% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The Village's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2014, 2013, and 2012 were \$61,759, \$48,015 and \$35,566 for police officers and \$13,575, \$11,168 and \$9,375 for firefighters, respectively, which were equal to the required contributions for each year.

#### **NOTE 11 - POSTEMPLOYMENT BENEFITS**

##### **A. Ohio Public Employees Retirement System (“OPERS”)**

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS’ eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

## VILLAGE OF EAST PALESTINE, OHIO

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2014*

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#### NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

##### **A. Ohio Public Employees Retirement System (“OPERS”)** (Continued)

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% for calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the OPERS actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions for health care to the OPERS for the years ending December 31, 2014, 2013, and 2012 were \$20,230, \$9,644 and \$36,680, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

##### **B. Ohio Police and Fire Pension Fund (“OP&F”)**

Plan Description – The Village contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **B. Ohio Police and Fire Pension Fund (“OP&F”) (Continued)**

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions for health care to the OP&F for the years ending December 31, 2014, 2013, and 2012 were \$1,625, \$10,933 and \$18,829 for police and \$289, \$1,982 and \$3,668 for firefighters, respectively, which were equal to the required contributions for each year.



**VILLAGE OF EAST PALESTINE, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

**NOTE 12 - LONG-TERM OBLIGATIONS**

Long-term debt and other long-term obligations of the Village at December 31, 2014 were as follows:

			Balance December 31, 2013	Additions	Deductions	Balance December 31, 2014	Amount Due Within One Year
<b>Governmental Activities:</b>							
Ohio Public Works Commission Loan:							
Bridge Replacement	0.00%	2029	\$124,000	\$0	(\$8,000)	\$116,000	\$8,000
General Obligation Bonds:							
Various Purpose	4.75%	2033	395,000	0	(10,000)	385,000	15,000
Ohio Department of Transportation Loan:							
Street Improvement	3.00%	2015	188,950	0	(93,068)	95,882	95,882
Ohio Department of Commerce Loan:							
Fire Truck	0.00%	2022	113,750	0	(113,750)	0	0
Long Term Promissory Notes:							
Road Paving	2.85%	2015	73,437	0	(35,702)	37,735	37,735
Roof Repair	3.35%	2016	31,775	0	(12,392)	19,383	12,813
Cemetery Mower	3.15%	2017	7,450	0	(1,773)	5,677	1,831
Total Long Term Promissory Notes			112,662	0	(49,867)	62,795	52,379
Capital Leases			0	103,596	0	103,596	21,920
Compensated Absences Payable			166,618	(22,494)	(45,168)	98,956	26,417
Total Governmental Activities			<u>\$1,100,980</u>	<u>\$81,102</u>	<u>(\$319,853)</u>	<u>\$862,229</u>	<u>\$219,598</u>

**A. Governmental Activities**

*OPWC Loan* - In 2005, the Village entered into an agreement with the Ohio Public Works Commission for a loan for replacement of the West Street Bridge. The interest rate on the loan is 0%. The Village began repaying the loan in semiannual payments in 2009 based on a loan amount of \$160,000 to be paid through 2029. As of December 31, 2014, the loan had an outstanding balance of \$116,000.

*General Obligation Bonds* – In 2013 the Village issued \$395,000 of various purpose general obligation bonds. \$158,500 of the bond proceeds will be used to finance the costs of acquiring and renovating a new municipal building and the remaining \$236,500 to pay off the remaining balance of the West Street Bridge long term promissory note. The various purpose bonds carry an interest rate of 4.75% and mature in December 2033. As of December 31, 2014, the bonds had an outstanding balance of \$385,000.

## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 12 - LONG-TERM OBLIGATIONS (Continued)**

##### **A. Governmental Activities** (Continued)

*Ohio Department of Transportation Loan* - In 2005, the Village entered into an agreement with the Ohio Department of Transportation for a loan for street improvements. The interest rate on the loan is 3.0%. The Village began repaying the loan in 2008 based on a loan amount of \$692,739 to be paid through 2015. As of December 31, 2014, the loan had an outstanding balance of \$95,882.

*Long Term Promissory Notes* - In 2012 the Village issued a \$108,150 promissory note for various road paving improvements. The note carries a 2.85% interest rate and matures in 2015. In 2011 the Village issued a \$61,000 promissory note for roof repair at the Village pool. The note carries a 3.35% interest rate and matures in 2016. In 2013 the Village issued a promissory note in the amount of \$7,450 to finance the acquisition of a mower for the cemetery department. The promissory note has an interest rate of 3.15% and matures in May 2017. As of December 31, 2014, the road paving loan, the roof repair loan, and the mower loan had outstanding balances of \$37,735, \$19,383, and \$5,677, respectively.

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## VILLAGE OF EAST PALESTINE, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2014*

#### NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

			Balance December 31, 2013	Additions	Deductions	Balance December 31, 2014	Amount Due Within One Year
<b>Business-Type Activities:</b>							
General Obligation Bonds:							
Various Purpose Refunding Bond	2.0-3.25%	2018	\$835,000	\$0	(\$160,000)	\$675,000	\$160,000
Sewerage System Refunding Bond	2.25-5.0%	2031	1,755,000	0	(75,000)	1,680,000	75,000
Total General Obligation Bonds:			2,590,000	0	(235,000)	2,355,000	235,000
Ohio Public Works Commission Loans:							
Phase Five Sanitary Sewer	0.00%	2025	323,400	0	(26,950)	296,450	26,950
Brookdale Water	0.00%	2039	90,095	0	(3,534)	86,561	3,534
Brookdale Sewer	0.00%	2039	210,231	0	(8,244)	201,987	8,244
Water Storage Facility	0.00%	2033	248,000	0	(12,400)	235,600	12,400
Total OPWC Loans:			871,726	0	(51,128)	820,598	51,128
Ohio Water Development Authority Loans:							
Sewer Project - Phase Two	2.20%	2020	462,803	0	(66,987)	395,816	68,469
Wastewater Treatment Plant	1.00%	2025	1,479,425	0	(116,635)	1,362,790	117,804
Waterline Extension	3.95%	2038	80,597	0	(1,939)	78,658	2,016
Sewer Line Extension	3.95%	2038	53,587	0	(1,289)	52,298	1,340
WWTP Phosphorous Reduction	1.00%	2030	41,985	0	(2,352)	39,633	2,376
Water Booster Station	4.14%	2032	262,811	0	(9,693)	253,118	10,098
Moore Lane	2.00%	2042	260,652	0	(7,212)	253,440	0
Wheathill Reservoir	1.94%	2043	231,876	131,529	(6,692)	356,713	0
Total OWDA Loans:			2,873,736	131,529	(212,799)	2,792,466	202,103
Capital Leases			34,906	0	(17,154)	17,752	17,752
Compensated Absences			89,436	41,928	(19,882)	111,482	29,442
Total Business-Type Activities			<u>\$6,459,804</u>	<u>\$173,457</u>	<u>(\$535,963)</u>	<u>\$6,097,298</u>	<u>\$535,425</u>

## VILLAGE OF EAST PALESTINE, OHIO

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2014*

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#### NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

##### **B. Business-Type Activities**

*OWDA Loan* - In 1997, the Village entered into an agreement with the Ohio Water Development Authority to receive a loan for sewer system improvements. The interest rate on the loan is 2.2% per annum. This loan is payable from sewer service charges. The Village began repaying the loan in semiannual payments in 2000 based on a loan amount of \$1,237,264 to be paid through 2020. As of December 31, 2014, the loan had an outstanding balance of \$395,816.

*OWDA Loan* - In 2004, the Village entered into an agreement with the Ohio Water Development Authority to receive a loan for sewer system improvements. The interest rate on the loan is 1.0% per annum. This loan is payable from sewer service charges. The Village began repaying the loan in semiannual payments in 2006 based on a loan amount of \$2,371,778 to be paid through 2025. As of December 31, 2014, the loan had an outstanding balance of \$1,362,790.

*OWDA Loan* - In 2009, the Village entered into an agreement with the Ohio Water Development Authority to receive a loan for water system improvements. The interest rate on the loan is 3.95% per annum. This loan is payable from water service charges. The Village began repaying the loan in semiannual payments in 2009 based on a loan amount of \$89,228 to be paid through 2038. As of December 31, 2014, the loan had an outstanding balance of \$78,658.

*OWDA Loan* - In 2009, the Village entered into an agreement with the Ohio Water Development Authority to receive a loan for sewer system improvements. The interest rate on the loan is 3.95% per annum. This loan is payable from sewer service charges. The Village began repaying the loan in semiannual payments in 2009 based on a loan amount of \$59,327 to be paid through 2038. As of December 31, 2014, the loan had an outstanding balance of \$52,298.

*OWDA Loan* - In 2010, the Village entered into an agreement with the Ohio Water Development Authority to receive a loan for sewer system improvements. The interest rate on the loan is 1.00% per annum. This loan is payable from sewer service charges. The Village began repaying the loan in semiannual payments in 2010 based on a loan amount of \$50,036 to be paid through 2030. As of December 31, 2014, the loan had an outstanding balance of \$39,633.

*OWDA Loan* - In 2011, the Village entered into an agreement with the Ohio Water Development Authority to receive a loan for a water booster station. The interest rate on the loan is 4.14% per annum. This loan is payable from water service charges. The Village began repaying the loan in semiannual payments in 2012 based on a loan amount of \$276,625 to be paid through 2032. As of December 31, 2014, the loan had an outstanding balance of \$253,118.

## VILLAGE OF EAST PALESTINE, OHIO

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2014*

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#### NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

##### **B. Business-Type Activities** (Continued)

*OWDA Loan* - In 2012, the Village entered into an agreement with the Ohio Water Development Authority to receive a loan for water system improvements. The interest rate on the loan is 2.00% per annum. This loan is payable from water service charges. The loan can only be received by the Village in increments as the project is completed. As of December 31, 2014 the Village had received \$260,652. The Village began repaying the loan in 2014, and the loan balance at December 31, 2014 was \$253,440. As of December 31, 2014 the loan has not been finalized and there is no amortization schedule for the loan.

*OWDA Loan* - In 2013, the Village entered into an agreement with the Ohio Water Development Authority to receive a loan for water system improvements. The interest rate on the loan is 1.94% per annum. This loan is payable from water service charges. The loan can only be received by the Village in increments as the project is completed. As of December 31, 2014 the Village had received \$363,405. The Village began repaying the loan in 2014, and the loan balance at December 31, 2014 was \$356,713. As of December 31, 2014 the loan has not been finalized and there is no amortization schedule for the loan.

*OPWC Loan* - In 2005, the Village entered into an agreement with the Ohio Public Works Commission to receive a loan for sanitary sewer improvements. The interest rate on the loan is 0%. This loan is payable from wastewater service charges. The Village began repaying the loan in semiannual payments in 2005 based on a loan amount of \$539,000 to be paid through 2025. As of December 31, 2014, the loan had an outstanding balance of \$296,450.

*OPWC Loan* - In 2007, the Village entered into an agreement with the Ohio Public Works Commission to receive a loan for water and sewer line improvements. The interest rate on the loan is 0%. This loan is payable from water and wastewater service charges. The Village began repaying the loan in semiannual payments in 2009 based on a loan amount of \$353,327 to be paid through 2039. As of December 31, 2014, the loan had an outstanding balance of \$288,548.

*OPWC Loan* - In 2005, the Village entered into an agreement with the Ohio Public Works Commission to receive a loan for water storage facility improvements. The interest rate on the loan is 0%. This loan is payable from water service charges. The Village began repaying the loan in semiannual payments in 2014 based on a loan amount of \$248,000 to be paid through 2033. As of December 31, 2014, the loan had an outstanding balance of \$235,600.

## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 12 - LONG-TERM OBLIGATIONS (Continued)**

##### **C. Defeased Debt**

In February 2003, the Village defeased \$2,236,000 of FHA Loans for Sewer Improvements through the issuance of \$2,235,000 of General Obligation Bonds for Sewer System Improvements. The net proceeds of the 2003 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,692,000 at December 31, 2014, are not included in the Village's outstanding debt since the Village has in-substance satisfied its obligations through the advance refunding.

In December 2011, the Village defeased \$1,225,000 of General Obligation Bonds dated February 1999 through the issuance of \$1,280,000 of General Obligation Bonds for Water and Sewer System Improvements. The net proceeds of the 2011 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$670,000 at December 31, 2014, are not included in the Village's outstanding debt since the Village has in-substance satisfied its obligations through the advance refunding.

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**VILLAGE OF EAST PALESTINE, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

**NOTE 12 - LONG-TERM OBLIGATIONS (Continued)**

**D. Principal and Interest Requirements**

A summary of the Village's future long-term debt funding requirements, including principal and interest payments as of December 31, 2014 follows:

Years	<b>Governmental Activities</b>							
	OPWC Loan		General Obligation Bonds		ODOT Loan		Promissory Notes	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$8,000	\$0	\$15,000	\$18,288	\$95,882	\$2,162	\$52,379	\$2,346
2016	8,000	0	15,000	17,576	0	0	8,462	191
2017	8,000	0	15,000	16,862	0	0	1,954	65
2018	8,000	0	15,000	16,150	0	0	0	0
2019	8,000	0	15,000	15,438	0	0	0	0
2020-2024	40,000	0	90,000	65,788	0	0	0	0
2025-2029	36,000	0	115,000	42,038	0	0	0	0
2030-2034	0	0	105,000	12,826	0	0	0	0
2035-2039	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>\$116,000</b>	<b>\$0</b>	<b>\$385,000</b>	<b>\$204,966</b>	<b>\$95,882</b>	<b>\$2,162</b>	<b>\$62,795</b>	<b>\$2,602</b>

Years	<b>Business-Type Activities</b>					
	General Obligation Bonds		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$235,000	\$93,138	\$202,103	\$37,574	\$51,128	\$0
2016	250,000	86,276	205,378	34,298	51,128	0
2017	255,000	78,576	208,721	30,951	51,128	0
2018	260,000	70,714	212,136	27,538	51,128	0
2019	90,000	61,626	215,623	24,053	51,128	0
2020-2024	500,000	250,604	771,879	80,984	255,640	0
2025-2029	625,000	127,602	253,117	36,700	147,840	0
2030-2034	140,000	7,000	82,208	12,844	108,490	0
2035-2039	0	0	31,148	2,833	52,988	0
<b>Totals</b>	<b>\$2,355,000</b>	<b>\$775,536</b>	<b>\$2,182,313</b>	<b>\$287,775</b>	<b>\$820,598</b>	<b>\$0</b>

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## **VILLAGE OF EAST PALESTINE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 13 - CAPITAL LEASES**

The Village leases an ambulance and a loader under capital leases. The original cost of the ambulance and the related liability reported as Governmental Activities capital leases are reported on the Government – wide Statement of Net Position. The original cost of the loader and the related liability reported as Business Type Activities capital leases are reported on the Government – wide Statement of Net Position as well as in the respective funds.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2014:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2015	\$21,920	\$18,375
2016	21,920	0
2017	21,920	0
2018	21,920	0
2019	21,920	0
Minimum Lease Payments	<u>109,600</u>	<u>18,375</u>
Less amount representing interest at the Village's incremental borrowing rate of interest	<u>(6,004)</u>	<u>(623)</u>
Present value of minimum lease payments	<u><u>\$103,596</u></u>	<u><u>\$17,752</u></u>

#### **NOTE 14 - INSURANCE AND RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Village is a participant in the Public Entities Pool of Ohio (the “PEP Pool”). The PEP Pool was established in 1987 and is administered under contract by the American Risk Pooling Consultants, Inc. (ARPCO) to provide a program of property and casualty insurance for its Member organizations throughout the State of Ohio.

The Pool's general objectives are to formulate, develop and administer a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool as well as current members are subject to a supplemental assessment or a refund, at the discretion of the Board of Trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date, there has been no assessments or refunds, due to the limited period of time that the Pool has been in existence and the nature of the coverage that is afforded to the participants.

The Village obtained insurance coverage from the Pool from 2000 to the present for losses related to general liability, public official's liability, automobile, law enforcement liability, medical malpractice liability, and employee benefits liability.



## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 14 - INSURANCE AND RISK MANAGEMENT (Continued)**

Each participant makes an annual “contribution” to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operation for the various coverages provided. Participants are also charged for a “surplus contribution” that is used to build the Pool’s retained earning account to fund the activities of the Pool. During 2014, the Village made contributions to the Pool totaling \$54,690.

In the ordinary course of business, the Pool cedes a portion of its exposure to other insurers. These arrangements limit the Pool’s maximum net loss on individual risks.

The Pool is, and ultimately the participants are, contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Worker’s Compensation claims are covered through the Village’s participation in the State of Ohio’s program. The Village pays the State Worker’s Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

#### **NOTE 15 - CONTINGENCIES**

The Village is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Village's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of East Palestine  
Columbiana County  
85 North Market Street  
East Palestine, Ohio 44413

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of East Palestine, Columbiana County, (the "Village") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 30, 2016.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Entity's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 30, 2016

VILLAGE OF EAST PALESTINE  
COLUMBIANA COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-001	The Village did not accurately post all transactions.	Not Corrected.	Repeated in the management letter.

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# Dave Yost • Auditor of State

VILLAGE OF EAST PALESTINE

COLUMBIANA COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 22, 2016